

HUMBOLDT BAY HARBOR, RECREATION AND
CONSERVATION DISTRICT
AUDITED FINANCIAL STATEMENT
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023



HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District
Eureka, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Humboldt Bay Harbor, Recreation and Conservation District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State of California Controller's Office and state regulations governing special districts; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of proportionate share of the net OPEB liability, schedule of the District's proportionate share of the net pension liability, and schedule of pension contributions on pages 39 through 41, budgetary comparison information 42 - 45, to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshmal & Company LLP

San Diego, California
February 27, 2024

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2023

This section of Humboldt Bay Harbor, Recreation and Conservation District (the "District")'s annual financial report represents our discussion and analysis of the District's financial activities for the year ended June 30, 2023. Please read it in conjunction with the Independent Auditor's Report and the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's operating revenues decreased by \$1,792,936, or 39.4 percent.
- The District's operating expenses increased by \$404,839, or 11.3 percent.
- General revenues from taxes, interest, and investments accounted for \$1,828,300 in revenues or 31.1 percent of all revenues.
- The District had total expenditures of \$5,446,221, and total revenue of \$5,883,441. The resulting increase in net position of \$437,220 includes net government grant expenditures of \$47,297, and depreciation expense in the amount of \$475,620.
- Notes payable debt has increased \$4,956,316 from the prior fiscal year due to proceeds from Series 2023 Installment Sale Obligations.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: the government-wide financial statements and the notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The basic financial statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents a section of required supplementary information that further explains and supports the information in the financial statements.

REPORTING THE DISTRICT AS A WHOLE

The District as a whole is reported in the government-wide financial statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position reports all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report the District's net position and how they have changed. The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as the condition of buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The District's financial statements provide detailed information about the District's one proprietary fund.

Enterprise Fund:

Because a large portion of the District's revenues are obtained from various charges to customers, all of the District's activities are accounted for in an enterprise fund, which is a proprietary fund type. Enterprise funds provide both long and short-term financial information.

ANALYSIS OF THE DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's activities:

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Table 1
Comparative Statement of Net Position

	2023	2022 (As restated)	Change
Assets			
Cash & cash equivalents	\$ 5,914,502	\$ 3,869,046	\$ 2,045,456
Receivables, net	796,891	956,395	(159,504)
Other assets	36,164	32,089	4,075
New market loan receivable	5,849,375	5,849,375	-
Lease receivable	3,679,190	3,470,176	209,014
Capital assets	12,910,238	10,345,400	2,564,838
Total assets	<u>29,186,360</u>	<u>24,522,481</u>	<u>4,663,879</u>
Deferred outflows of resources			
Deferred outflows of resources - pension	689,470	281,188	408,282
Deferred outflows of resources - OPEB	4,388	842	3,546
Deferred outflows of resources - bond refunding	8,671	11,523	(2,852)
Total deferred outflows of resources	<u>702,529</u>	<u>293,553</u>	<u>408,976</u>
Total assets and deferred outflows of resources	<u>29,888,889</u>	<u>24,816,034</u>	<u>5,072,855</u>
Liabilities			
Payables and other liabilities	603,921	845,045	(241,124)
Unearned income	3,645,059	3,968,038	(322,979)
Notes payable, current portion	173,717	327,959	(154,242)
Other long-term liabilities	1,577,786	764,495	813,291
Long-term portion of notes payable	7,809,640	2,699,082	5,110,558
Total liabilities	<u>13,810,123</u>	<u>8,604,619</u>	<u>5,205,504</u>
Deferred inflows of resources			
Deferred inflows of resources - pension	115,823	590,149	(474,326)
Deferred inflows of resources - OPEB	3,223	29,113	(25,890)
Deferred inflows of resources - Cal Trans Spartina	1,148,932	1,313,052	(164,120)
Deferred inflows of resources - lease	3,545,298	3,450,831	94,467
Total deferred inflows of resources	<u>4,813,276</u>	<u>5,383,145</u>	<u>(569,869)</u>
Net position			
Net investment in capital assets	9,225,775	9,404,912	(179,137)
Restricted	1,887,090	1,610,309	276,781
Unrestricted	152,625	(186,951)	339,576
Total net position	<u>11,265,490</u>	<u>10,828,270</u>	<u>437,220</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 29,888,889</u>	<u>\$ 24,816,034</u>	<u>\$ 5,072,855</u>

Total net position of the District increased by 4.0 percent, or \$437,220 as of June 30, 2023.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Table 2

Comparative Statement of Revenues, Expenses, and Changes in Net Position

	2023	2022 (As restated)	Change
Operating Revenues			
Rents and leases	\$ 1,534,307	\$ 3,483,225	\$ (1,948,918)
Slip rentals	932,767	819,353	113,414
Harbor improvement surcharge	164,223	140,939	23,284
Other revenue	128,098	108,814	19,284
Total operating revenues	<u>2,759,395</u>	<u>4,552,331</u>	<u>(1,792,936)</u>
Operating Expenses			
Salaries, wages and benefits	1,532,755	1,277,174	255,581
Depreciation	475,620	658,136	(182,516)
Repairs and maintenance	248,166	251,344	(3,178)
Professional and outside services	446,885	206,973	239,912
Redwood terminal 2 expenses	224,444	227,843	(3,399)
Utilities	439,286	451,435	(12,149)
Other operating expenses	626,943	516,355	110,588
Total operating expenses	<u>3,994,099</u>	<u>3,589,260</u>	<u>404,839</u>
Operating income (loss)	<u>(1,234,704)</u>	<u>963,071</u>	<u>(2,197,775)</u>
Nonoperating Revenues (Expenses)			
General property taxes	1,381,655	1,244,693	136,962
Investment income (loss)	446,645	342,775	103,870
Grants income	1,253,663	155,363	1,098,300
Other non operating income	42,083	3,735	38,348
Grant expenses	(1,300,960)	(930)	(1,300,030)
Interest expenses	(138,365)	(162,388)	24,023
Other nonoperating expenses	(12,797)	(8,239)	(4,558)
Total nonoperating revenues (expenses)	<u>1,671,924</u>	<u>1,575,009</u>	<u>96,915</u>
Change in net position	<u>\$ 437,220</u>	<u>\$ 2,538,080</u>	<u>\$ (2,100,860)</u>

Operating revenues decreased \$1,792,936 over the prior year, and operating expenses increased \$404,839. The significant decrease in operating revenue was due to decrease in rent revenue of \$1,948,918. The increase in operating expenses was due to increase in salaries and payroll related cost as well increase in expenses of professional and outside services.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

NET POSITION OF THE DISTRICT'S ENTERPRISE FUND

Table 3 presents the net position of the District's one fund, the Enterprise Fund, and an analysis of significant changes in the fund's net position.

**Table 3
Changes in Year-End Net Position**

	2023	2022 (As restated)	Change	% Change
Net Position, June 30,	<u>\$11,265,490</u>	<u>\$ 10,828,270</u>	<u>\$ 437,220</u>	<u>4.04 %</u>

The 4.04 percent increase is due to a trans-pacific fiber optic cable landing fee and increase in other upland lease.

Table 4 presents a summary of enterprise fund revenues for the year ended June 30, 2023, and the amounts and percentages of increases and decreases of revenues in relation to the prior year.

**Table 4
Summary of Revenues**

	2022-23	Percent of Total	2022 (As restated)	Change
Revenues:				
Rents and leases	\$ 1,534,307	26.08 %	\$ 3,483,225	\$ (1,948,918)
Slip rentals	932,767	15.85 %	819,353	113,414
Harbor improvement surcharge	164,223	2.79 %	140,939	23,284
Other operating income	128,098	2.18 %	108,814	19,284
General property taxes	1,381,655	23.48 %	1,244,693	136,962
Interest Income	446,645	7.59 %	342,775	103,870
Grant and other nonoperating income	<u>1,295,746</u>	<u>22.02 %</u>	<u>159,098</u>	<u>1,098,300</u>
Total revenues	<u>\$ 5,883,441</u>	<u>100.00 %</u>	<u>\$ 6,298,897</u>	<u>\$ (453,804)</u>

Rents and leases decreased due to a 2022/23 trans-pacific fiber optic *cable landing fee*. Slip rentals increased due to continued recovery from impacts of the Covid-19 pandemic. Harbor Improvement Surcharge revenue increased due to an increase in shipping in 21/22. Interest income increased due to the implementation of GASB 87, *Leases*, and the resulting reclassification of a portion of lease payments from lease payments from lease revenue to interest revenue. Grant revenue varies from year to year based on available grant funding.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Table 5 presents the variance between the District's budget and the actual results for the fiscal year. The District had no budget modifications during the year, so the final budget and the adopted budget were identical.

Table 5
Final Budget versus Actual Results

	Original & Final Budget	Actual	Variance
Operating Revenues			
Rents and leases	\$ 1,733,975	\$ 1,534,307	\$ (199,668)
Slip rentals	610,000	697,651	87,651
Dredging and float replacement surcharge	215,000	235,116	20,116
Harbor improvement surcharge	215,000	164,223	(50,777)
Other revenue	15,440	128,098	112,658
Total operating revenues	<u>2,789,415</u>	<u>2,759,395</u>	<u>(30,020)</u>
Operating Expenses			
Salaries, wages and benefits	1,599,065	1,532,755	66,310
Depreciation	-	475,620	(475,620)
Dredging	-	675	(675)
Professional and outside services	206,000	446,885	(240,885)
Redwood terminal 2 expenses	339,246	224,444	114,802
Repairs and maintenance	273,065	248,166	24,899
Utilities	459,050	439,286	19,764
Other operating expenses	412,025	626,268	(214,243)
Total operating expenses	<u>3,288,451</u>	<u>3,994,099</u>	<u>(705,648)</u>
Operating income (loss)	(499,036)	(1,234,704)	(735,668)
Nonoperating Revenue (Expense)			
General property taxes	1,200,000	1,381,655	181,655
Investment income (loss)	172,800	446,645	273,845
Grants and other income	2,904,797	1,295,746	(1,609,051)
Grant expenses	(2,754,982)	(1,300,960)	1,454,022
Interest expenses	(144,400)	(138,365)	6,035
Other nonoperating expenses	(200,000)	(12,797)	187,203
Total nonoperating revenues (expenses)	<u>1,178,215</u>	<u>1,671,924</u>	<u>493,709</u>
Change in net position	<u>\$ 679,179</u>	<u>\$ 437,220</u>	<u>\$ (241,959)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2023

Final Budget versus Actual Results

The favorable variance of \$66,310 in salaries, wages and benefits was due to changes in the District's portion of the State-wide PERS liability and a decrease in the District's liability for other post-employment benefits. The unfavorable variance of \$475,620 in depreciation was due to the District's policy of the budgeting for actual capital outlay for the year rather than depreciation expenses. The unfavorable variance of \$675 in dredging expense is due to the capitalization of dredging expenditures. The unfavorable variance of \$19,764 in utilities is due to higher than anticipated utility expenses. The favorable variance of \$273,845 in investment income is due to the implementation of GASB 87, *Leases*, and the resulting reporting of a portion of lease payments as interest income rather than lease income. The unfavorable variance of \$1,609,051 in grant revenue and the favorable balance of \$1,454,022 in grant expenses is due to changes in available and expended grants. The favorable variance of \$187,203 in other nonoperating expenses is due to the District's policy of including the principal portion of debt service payments in the budget, and the inclusion of reserve additions and withdrawals in the budget.

Capital Assets

The District's total capital assets, net of accumulated depreciation, as of June 30, 2023 was \$12,910,238. The total increase in net capital assets from the prior year was 24.8 percent. This increase was due to capital acquisitions during the current year. Capital asset balances as of June 30, 2023 and 2022 were as follows:

Table 6
Comparative Schedule of Capital Assets

	2023	2022	Change
Land, building and improvement	\$ 26,260,652	\$ 23,217,801	\$ 3,042,851
Automotive equipment	95,639	95,639	-
Office and operating equipment	3,977,194	3,977,194	-
Dredging costs	1,566,367	1,534,660	31,707
Marina restaurant work-in-progress	-	34,100	(34,100)
Subtotals	31,899,852	28,859,394	3,040,458
Less: accumulated depreciation	(18,989,614)	(18,513,994)	(475,620)
Capital assets, net	<u>\$ 12,910,238</u>	<u>\$ 10,345,400</u>	<u>\$ 2,564,838</u>

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Debt Administration

The District incurred new long-term debt in 2023 to cover dredging of the Marina and a property acquisition to support the Heavy Lift Marine Terminal. The increase in net pension liability was a result of an increase in the District's share of the State-wide CalPERS net pension liability. The District is required to report its proportionate share of that liability in its financial statements. The decrease in other post-employment benefits was due to changes in staff eligible for other post-employment benefits. The ending balances for debts and other long-term liabilities, as of June 30, 2023 and 2022 are presented below in Table 7.

**Table 7
Debt and Other Long-Term Liabilities**

	2023	2022	Change
Notes Payable:			
Refunding Bonds Series 2014	\$ 1,621,350	\$ 1,968,657	\$ (347,307)
Compass BBVA Bank Loan	908,007	1,058,384	(150,377)
Sale installment note payable	5,454,000	-	5,454,000
Total notes payable	7,983,357	3,027,041	4,956,316
Other Long-Term Liabilities:			
OPEB	169,351	186,792	(17,441)
Net pension liability	1,408,435	577,703	830,732
Total debt and other long-term liabilities	\$ 9,561,143	\$ 3,791,536	\$ 5,769,607

ECONOMIC FACTORS

The District's efforts to improve economic conditions include the acquisition and environmental clean-up of the Freshwater Tissue/Redwood Terminal 2 property beginning in 2013/14 and continuing into 2020/21. Redwood Terminal 2 had significant deferred maintenance to buildings and utilities which needed to be addressed in order to attract new tenants to the facility. The District obtained funding through the New Market Tax Credit program which resulted in an estimated \$5 million in renovation and improvements to the site. Revenues from tenants at the Redwood Terminal 2 property has increased to over \$500,000 from new tenant leases.

The District is in the planning and permitting phase of a Heavy Marine Lift Terminal in Humboldt Bay to support the offshore wind industry. This project has been the recipient of multiple grant awards totaling over a half billion dollars with the goal of bringing jobs and industry to Humboldt County. The District is also actively marketing cruise lines and other shippers to make Humboldt Bay a port of call, and is helping the oyster industry expand through the District's pre-permitting project.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Humboldt Bay Harbor, Recreation and Conservation District
P.O. Box 1030
Eureka, California 95502

BASIC FINANCIAL STATEMENTS

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash & cash equivalents	\$ 4,027,412
Restricted cash & cash equivalents	1,887,090
Accounts receivable, net	796,891
Interest receivable	12,620
Prepaid insurance	23,544
Lease receivable	<u>445,738</u>
Total current assets	<u>7,193,295</u>

NONCURRENT ASSETS:

Nondepreciable capital assets	9,016,928
Depreciable capital assets, net	3,893,310
Note receivable	5,849,375
Lease receivable, net of current portion	<u>3,233,452</u>
Total noncurrent assets	<u>21,993,065</u>
Total assets	<u>29,186,360</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pension	689,470
Deferred outflows of resources - OPEB	4,388
Deferred outflows of resources - bond refunding	<u>8,671</u>
Total deferred outflows of resources	<u>702,529</u>
Total assets and deferred outflows of resources	<u>29,888,889</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	307,106
Accrued wages, payroll taxes & benefit	34,940
Unearned income	163,450
Accrued vacation payable	68,683
Customer deposits payable	193,192
Notes payable	<u>173,717</u>
Total current liabilities	<u>\$ 941,088</u>

Continued..

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2023

LIABILITIES - CONT'D

NONCURRENT LIABILITIES:

Net OPEB liabilities	\$ 169,351
Unearned income	3,481,609
Net pension liabilities	1,408,435
Notes payable, net of current portion	<u>7,809,640</u>
Total noncurrent liabilities	<u>12,869,035</u>
Total liabilities	<u>13,810,123</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - OPEB	3,223
Deferred inflows of resources - Pension	115,823
Deferred inflows of resources - Lease	3,545,298
Deferred inflows of resources - Cal Trans Spartina	<u>1,148,932</u>
Total deferred inflows of resources	<u>4,813,276</u>
Total liabilities and deferred inflows of resources	<u>18,623,399</u>

NET POSITION

Net investment in capital assets	9,225,775
Restricted	1,887,090
Unrestricted	<u>152,625</u>
Total net position	<u>11,265,490</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 29,888,889</u></u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES

Sales & permits	\$ 15,501
Slip rentals	932,767
Rents and leases	1,534,307
Harbor improvement surcharge	164,223
Other revenue	<u>112,597</u>
Total operating revenues	<u>2,759,395</u>

OPERATING EXPENSES

Payroll & related cost	1,532,755
Commissioner's fees	30,900
Accounting & auditing	51,930
Advertising & promotion	2,648
Automobile expenses	32,908
Bad debt	111,761
Communications	30,936
Conference & meetings	24,171
Depreciation	475,620
Dues & subscriptions	61,492
Elections & property tax administration fee	79,154
Insurance	123,708
Rent and lease	1,256
Legal & other professional fees	263,434
Office expenses	53,860
Operating supplies	19,842
Outside service	183,451
Redwood terminal 2 expenses	224,444
Repairs, maintenance & small tools	248,166
Utilities	439,286
Dredging expense	675
Other operating expenses	<u>1,702</u>

Total operating expenses	<u>3,994,099</u>
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Operating income (loss)	<u>\$ (1,234,704)</u>
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Continued..

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

NONOPERATING REVENUES (EXPENSES)

General property taxes	\$ 1,381,655
Investment income (loss)	446,645
Governmental grant	1,253,663
Other nonoperating incomes	42,083
Grant expenses	(1,300,960)
Interest expenses	(138,365)
Other nonoperating expenses	<u>(12,797)</u>
Total nonoperating revenues (expenses)	<u>1,671,924</u>
Change in net position	<u>437,220</u>
Net position, beginning	10,104,746
<i>Restatement</i>	<u>723,524</u>
Net position, beginning, <i>as restated</i>	<u>10,828,270</u>
Net position, ending	<u><u>\$ 11,265,490</u></u>

The accompanying notes are an integral part of these financial statements.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,402,278
Payments to suppliers	(2,152,362)
Payments to employees	<u>(1,607,849)</u>
Net cash provided (used) by operating activities	<u>(1,357,933)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes for general operations	1,381,655
Receipt of grant & contract funds from other governments	1,253,663
Expenditures of grant funds	(1,300,960)
Payments for other nonoperating costs	(12,797)
Other nonoperating receipts	<u>42,083</u>
Net cash provided (used) by noncapital financing activities	<u>1,363,644</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Payments to acquire, construct & improve capital assets	(3,074,558)
Proceeds from sale of capital asset	34,100
Principal payments on notes payable & bonds	(497,684)
Proceeds from issue of series 2023 installment sale obligations	5,454,000
Interest paid	(207,571)
Lease proceeds	<u>157,921</u>
Net cash provided (used) by capital & related financing activities	<u>1,866,208</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>173,537</u>
Net cash provided (used) by investing activities	<u>173,537</u>

Increase (decrease) in cash & cash equivalents	2,045,456
Cash & cash equivalents, beginning	<u>3,869,046</u>
Cash & cash equivalents, ending	<u><u>\$ 5,914,502</u></u>

FINANCIAL STATEMENT PRESENTATION RECONCILIATION

Cash & cash equivalents	\$ 4,027,412
Restricted cash & cash equivalents	<u>1,887,090</u>
Cash & cash equivalents, ending	<u><u>\$ 5,914,502</u></u>

Continued..

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (1,234,704)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Bad debts	111,761
Depreciation	475,620
Changes in assets & liabilities:	
Accounts receivable, excluding bad debts	47,743
Prepaid expenses	(3,435)
Accounts payable - related to operating activities	(163,203)
Customer deposits payable	(29,522)
Accrued liabilities	23,659
Pension and OPEB liability and deferred outflows and inflows of resources	(262,873)
Unearned income	<u>(322,979)</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,357,933)</u></u>

NONCASH CAPITAL & RELATED FINANCING ACTIVITIES

Amortization of ground lease	\$ 424,391
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HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Humboldt Bay Harbor, Recreation and Conservation District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of financial statements.

A. Reporting Entity

The accompanying financial statements include all organizations, activities, and functions that comprise the District. The District has no oversight responsibility over any other governmental unit and is not included in any other governmental "reporting entity" as defined in GASB pronouncements. The District is governed by a five-member Board of Commissioners from the five supervisorial districts in Humboldt County.

B. Nature of Activities

The District is a special district created in 1970 by the State of California. The District was formed for the development of Humboldt County's harbors and ports, for the promotion of commerce, navigation, fisheries, and recreation thereon, as well as the protection of the County's natural resources.

C. Basis of Presentation

The financial statements required by *GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by *GASB Statement No. 63*, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District utilizes an enterprise fund, which is a proprietary fund type. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds account for goods or services that are provided to outside parties. The District has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the District prepares its statement of cash flows using the direct method.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements. Proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for rents and tidelands leases and harbor improvement surcharges. Operating expenses include the cost of maintaining the marina and tidelands, general and administrative expenses, and depreciation of capital assets.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. Measurement Focus/Basis of Accounting - Cont'd

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Other government grants represent non-operating revenues received from other agencies related to harbor projects, including Spartina eradication, homeland security, port access, aquaponics expansion and other initiatives. Other nonoperating income includes the portion of the PG&E funding (see Note 10) that has been recognized. Grant expenses primarily represent nonoperating expenses related to the other government grants nonoperating revenues.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

E. Budget and Budgetary Accounting

The Board of Commissioners adopts a budget annually to be effective July 1st of the ensuing fiscal year. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgetary data for expenses, as revised, are presented in the accompanying supplementary information.

F. Allowance for Doubtful Accounts

The District evaluates the collectability of receivables in order to determine the allowance for doubtful accounts. As of June 30, 2023, the District recorded an allowance for doubtful accounts of \$543,656. Based on historical experience, the District does not expect additional amounts to become uncollectable, however if they are, they will be charged to operations as a bad debt expense. The impact of any bad debt expense recorded in the future is expected to be immaterial to the financial statements.

G. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be all cash on hand, demand deposits, and pooled cash and investments. The pooled cash and investments consists of cash pooled with the Humboldt County Treasurer's Investment Pool and is used as a demand deposit account.

The District follows the authority governing investments for municipal governments set forth in the California Government Code, Sections 53601 through 53659. The County Treasurer's Investment Pool is administered by the County of Humboldt Treasurer's Office and conforms to the California Government Code. The County's portfolio normally consists of U.S. Treasury issues, U.S. Agency agreements, banker's acceptances, and the State of California Local Agency Investment Fund. All cash invested by the County in demand deposit accounts is collateralized to 110 percent with approved U.S. Government securities, such as Treasury Bills and other U.S. Treasury issues.

The fair value of the District's investments in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio.

H. Capital Assets

The capitalization threshold for all capital assets is \$2,000. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets that individually may be below threshold amounts are capitalized if collectively they are above the threshold amount.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Capital Assets - Cont'd

Depreciation of all exhaustible capital assets is charged as an expense against operations, with accumulated depreciation reflected in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

<u>Assets class</u>	<u>Useful life</u>
Equipment	3 - 10 Years
Dredging projects	10 Years
Buildings and improvements	20 - 40 Years

I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

- *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- *Restricted net position* is considered restricted, if its use is constrained to a particular purpose. Restrictions are imposed by creditors, grantors, contributors, laws, or regulations.
- *Unrestricted net position* consists of all other net positions that do not meet the definition of "net investment in capital assets" or "restricted net position" and is available for general use by the District.

K. Property Taxes

The lien date for secured property taxes is March 1st of each year. Taxes are levied as of July 1st on all secured real property and are due and payable November 1st and February 1st of the following fiscal year. Humboldt County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on State formula.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

K. Property Taxes - Cont'd

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted by the County. Under this Plan, the County's auditor/controller distributes 100 percent of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues on the accrual basis of accounting.

L. Postemployment Benefits other than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Pensions

For purposes of measuring the net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Leases

Lessee

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

N. Leases - Cont'd

Lessor

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

O. Compensated Absences

All vested vacation is recognized as an expense and as a liability at the anniversary date of hire during the year ended June 30, 2023. The liability for compensated absences is reported as accrued vacation payable. Additionally, 50% of accrued sick hours over 240 is vested and reported as accrued sick leave payable. The accrued vacation payable and accrued sick leave payable are payable from unrestricted current assets.

P. Current Accounting Pronouncements

The GASB has issued several accounting pronouncements, which are effective for the District during the year.

Implementation of GASB Statement No. 91

As of July 1, 2022, the District adopted GASB Statement No. 91, Conduit Debt Obligations. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. As a result, there is no material effect of the implementation of this standard on the beginning net position.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

P. Current Accounting Pronouncements - Cont'd

Implementation of GASB Statement No. 94

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of an asset, receivable, and deferred inflow of resources. {to be modified depending on the structure of the arrangement}. There was no significant effect on the District's financial statements as a result of the implementation of the standard.

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of a right-to-use asset-intangible asset and a corresponding, liability {to be modified depending on the structure of the arrangement}. There was no significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was no significant effect on the District's financial statements as a result of the implementation of the standard.

GASB Statement No. 99, Omnibus 2022 (lease, PPPs, and SBITAs)

GASB Statement No. 99, Omnibus 2022 (financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53)

New Accounting Pronouncements

GASB Statement No. 100, Accounting Changes and Error Corrections - an Amendment of GASBs No. 64

GASB Statement No. 101, Compensated Absences

The District had no reportable impacts for the fiscal year 2023.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - CASH AND CASH EQUIVALENTS

The cash and cash equivalents at June 30, 2023 were classified in the accompanying financial statements as follows:

Cash & cash equivalents	\$ 4,027,412
Restricted cash & cash equivalents	<u>1,887,090</u>
Total cash and cash equivalents	<u>\$ 5,914,502</u>

Restricted cash and cash equivalents activity for the year ended June 30, 2023 was as follows:

	Marina Dredging Surcharge	Float Replacement Surcharge	Total
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2022	\$ 1,058,838	\$ 551,471	\$ 1,610,309
Collections during the year	235,115	74,094	309,209
Less: amount spent during the year	<u>(32,381)</u>	<u>(47)</u>	<u>(32,428)</u>
Unexpended cash from marina dredging and float replacement surcharges, June 30, 2023	<u>\$ 1,261,572</u>	<u>\$ 625,518</u>	<u>1,887,090</u>
Restricted cash, June 30, 2023			<u>\$ 1,887,090</u>

Total cash and cash equivalents at June 30, 2023, consisted of the following:

Cash on hand	\$ 1,280
Deposits held with financial institutions	4,751,474
Deposits held with the County Treasurer's Investment Pool	<u>1,161,748</u>
Total cash and cash equivalents	<u>\$ 5,914,502</u>

The District may invest in any obligations, bonds, or securities in accordance with Section 53601 of the California Government Code, provided that the investment is in compliance with any debt covenant.

Fair value of Deposits held with the County Treasurer's Investment Pool as of June 30, 2023 was \$1,118,832.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure by a financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that financial institutions secure cash deposits made by state or local governments by pledging securities as collateral. The fair value of the pledged securities must equal at least 110% of the amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - CASH AND CASH EQUIVALENTS - CONT'D

Custodial Credit Risk - Cont'd

The District has not waived the collateralization requirement. The District had deposits with bank balances totaling \$4,758,655 as of June 30, 2023. The District had an uninsured balance of \$4,478,464, held with bank as of June 30, 2023.

The custodial credit risk for the County Treasurer's Investment Pool is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a specific policy which relates to interest rate risk.

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the external investment pool with the County Treasury is not rated.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2023, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 5,758,850	\$ 3,042,851	\$ -	\$ 8,801,701
Dredging costs (old harbor)	215,227	-	-	215,227
Capital work-in-progress (Marina)	34,100	-	34,100	-
Total nondepreciable capital assets	<u>6,008,177</u>	<u>3,042,851</u>	<u>34,100</u>	<u>9,016,928</u>
Depreciable capital assets :				
Building and improvement	17,458,951	-	-	17,458,951
Automotive equipment	95,639	-	-	95,639
Office and operating equipment	3,977,194	-	-	3,977,194
Dredging costs	1,319,433	31,707	-	1,351,140
Total depreciable capital assets	22,851,217	31,707	-	22,882,924
Less: Accumulated depreciation	<u>(18,513,994)</u>	<u>(475,620)</u>	<u>-</u>	<u>(18,989,614)</u>
Depreciable capital assets, net	<u>4,337,223</u>	<u>(443,913)</u>	<u>-</u>	<u>3,893,310</u>
Total capital assets, net	<u>\$ 10,345,400</u>	<u>\$ 2,598,938</u>	<u>\$ 34,100</u>	<u>\$ 12,910,238</u>

Total depreciation expense charged to operations for the year ended June 30, 2023 was \$475,620.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - NOTES PAYABLE

The following is a schedule of the changes in notes payable for the fiscal year ended June 30, 2023:

	Beginning Balance	Additions	Deletion	Ending Balance	Classification	
					Current Portion	Long-Term Portion
Series 2014 Refunding Bonds	\$ 1,968,657	\$ -	\$ (347,307)	\$ 1,621,350	\$ 120,548	\$ 1,500,802
Compass BBVA Bank Loan	1,058,384	-	(150,377)	908,007	53,169	854,838
Series 2023 Installment Sale Obligations	-	5,454,000	-	5,454,000	-	5,454,000
Total	<u>\$ 3,027,041</u>	<u>\$ 5,454,000</u>	<u>\$ (497,684)</u>	<u>\$ 7,983,357</u>	<u>\$ 173,717</u>	<u>\$ 7,809,640</u>

Refunding of Debt:

On December 22, 2014, the District issued \$3,333,674 in revenue bonds with an interest rate of 4.1 percent, to refund \$2,180,000 of outstanding 2004 revenue bonds with an average interest rate of 5.417 percent and \$1,241,382 of notes payable to the California Department of Boating and Waterways with an interest rate of 4.5 percent. The bonds are secured by net revenues of the District. The District used \$217,702 of proceeds from the debt service reserve fund on the 2004 revenue bonds to fund the refunding issuance costs and reduce the balance borrowed on the 2014 refunding bonds.

The District used \$43,600 of the proceeds from the refund to pay a call premium on the refunding. The call premium is recorded as a deferred outflow of resources and amortized as interest expense over the 15-year term of the bonds.

The annual requirements to amortize the outstanding bonds payable, as of June 30, 2023 was as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 120,548	\$ 33,238	\$ 153,786
2025	248,560	59,011	307,571
2026	258,855	48,716	307,571
2027	269,577	37,994	307,571
2028	280,743	26,828	307,571
2029 - 2030	<u>443,067</u>	<u>18,289</u>	<u>461,356</u>
Total	<u>\$ 1,621,350</u>	<u>\$ 224,076</u>	<u>\$ 1,845,426</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - NOTES PAYABLE - CONT'D

Compass BBVA Bank Loan:

On March 8, 2016, the District borrowed \$1,560,000 from Compass BBVA Bank, at a 5.99% annual interest rate. Payments of principal and interest are due semi-annually with the first payment due July 1, 2016. The loan matures on July 1, 2030. In conjunction with this loan, the District entered into an installment sale agreement and pledged all net revenues as collateral with Compass BBVA Bank for the payment of this obligation.

As of June 30, 2023, future debt service related to this loan was as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 53,169	\$ 27,199	\$ 80,368
2025	111,163	49,574	160,737
2026	117,921	42,815	160,736
2027	125,091	35,646	160,737
2028	132,696	28,041	160,737
2029	367,967	33,726	401,693
Total	<u>\$ 908,007</u>	<u>\$ 217,001</u>	<u>\$ 1,125,008</u>

Series 2023 Installment Sale Obligations

The District has entered into an agreement, represented by this Promissory Note, pursuant to the 2023 Installment Sale Agreement dated May 01, 2023. The agreement is executed and delivered by the District with Signature Public Funding Corp., a New York corporation and non-bank affiliate of Flagstar Bank.

The District promises to pay the total borrowed amount of \$5,454,000 and Interest is calculated at the rate of 4.25% from the Closing Date May 25, 2023, or from the most recent 2023 obligation payment date to which interest has been paid or duly provided. Interest will be payable semiannually on each obligation payment date until the borrowed amount of \$5,454,000 is paid in full.

As of June 30, 2023, future debt service related to this loan was as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 139,721	\$ 139,721
2025	246,000	226,568	472,568
2026	280,000	215,390	495,390
2027	292,000	203,235	495,235
2028	304,000	190,570	494,570
2029 - 2033	1,727,000	743,177	2,470,177
2034 - 2038	2,124,000	335,411	2,459,411
2039	481,000	10,221	491,221
Total	<u>\$ 5,454,000</u>	<u>\$ 2,064,293</u>	<u>\$ 7,518,293</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - LEASE RECEIVABLES

The District entered into various Lease Agreement with lease terms ranging from 1 to 29 years. At June 30, 2023, the receivable balance was \$3,679,190. The annual discount rate is 7 percent and monthly lease payments range from \$48 to \$9,429. Deferred inflow of resources was \$3,545,298 and revenue recognized was \$350,505.

Minimum lease payments receivable are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 445,738	\$ 245,126	\$ 690,864
2025	436,104	214,426	650,530
2026	397,644	185,337	582,981
2027	356,020	158,968	514,988
2028	261,645	137,196	398,841
2029-2033	743,212	507,687	1,250,899
2034-2038	369,258	298,788	668,046
2039-2043	420,689	170,581	591,270
2044-2048	227,183	32,842	260,025
2049-2050	21,697	2,304	24,001
Total	<u>\$ 3,679,190</u>	<u>\$ 1,953,255</u>	<u>\$ 5,632,445</u>

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The District has established the Humboldt Bay Harbor, Recreation, and Conservation District Retiree Healthcare Plan (HC Plan), a single-employer plan. The HC Plan provides healthcare insurance for eligible retirees and their spouses. The District pays 100% of the health insurance premiums for retired employees with a minimum of ten years of service and who have reached a minimum of fifty-five years of age up until age sixty-five. The District pays 50% of the health insurance premiums for the retiree spouse who must enroll in Medicare, if eligible. Any employee hired after December 1, 2011, will not be eligible for retiree health insurance. The HC Plan has not established or accumulated any assets in a trust. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of June 30, 2023, actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	1
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	<u>0</u>
Total	<u><u>3</u></u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - CONT'D

B. Contributions

The HC Plan and its contribution requirements are established by agreements with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the current insurance premiums due for the participating retirees. For the fiscal year ended June 30, 2023, the District's cash contributions were \$33,459, and there was no estimated implied subsidy, resulting in total payments of \$33,459. No trust has been created for the purpose of prefunding obligations for past services.

C. Funding Policy

The District funds post-employment health benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2023, the District's contributions for post-employment health benefit costs were \$37,184.

D. Annual OPEB Cost and Net OPEB Obligation

The District's Net OPEB liability was measured as of June 30, 2023 and the Total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

E. Actuarial Methods and Assumptions:

The Total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-age actuarial cost method
Discount Rate	3.65%
Inflation	2.5%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.65% net of expenses
Mortality Rate	Derived using 2021 CalPERS Active Mortality for Miscellaneous Employees tables
Pre-Retirement Turnover	Derived using 2021 CalPERS Turnover for Miscellaneous Employees tables
Healthcare Trend Rate	4.00%

There were no plan assets as of June 30, 2023.

F. Discount Rate

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus the long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates. The discount rate used in the valuation was 3.65%.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - CONT'D

G. Information Related to Assumptions and Other Inputs

Following is the table, the assumptions are based upon.

Mortality	<p>2021 CalPERS Mortality for Miscellaneous and Schools Employees</p> <p>The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables.</p> <p>2021 CalPERS Retiree Mortality for All Employees</p> <p>The mortality assumptions are based on the 2021 CalPERS Retiree Mortality for All Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables.</p>
Retirement	<p>2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees</p> <p>The retirement assumptions are based on the 2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.</p>
Turnover	<p>2021 CalPERS Turnover for Miscellaneous Employees</p> <p>The turnover assumptions are based on the 2021 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.</p>

For other assumptions, actual plan provisions and plan data were used.

The alternative measurement method was not used in this valuation.

H. Changes in Net OPEB Liability

Changes in Net OPEB liability as of June 30, 2023 was as follows:

Net OPEB liability - beginning of year	\$ 186,792
Service cost	2,890
Interest on total OPEB liability	6,071
Employer contribution as Benefit Payments	(33,459)
Experience (Gains)/Losses	8,046
Changes in assumptions	(989)
Net changes during 2022-23	(17,441)
Net OPEB liability - end of year	\$ <u>169,351</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - CONT'D

I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Sensitivity of the Net OPEB liability to changes in the discount rate. The following presents the Net OPEB liability, as well as what the Net OPEB liability would be, if it was calculated using a discount rate (3.65 percent) that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	\$ <u>173,061</u>	\$ <u>169,351</u>	\$ <u>165,633</u>

J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Sensitivity of the Net OPEB liability to changes in the healthcare cost trend rates. The following presents the Net OPEB liability, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates (4.00 percent) that are 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rates:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	\$ <u>163,555</u>	\$ <u>169,351</u>	\$ <u>175,551</u>

K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense/(income) of \$(13,418).

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (3,223)
Difference between expected and actual experience	<u>4,388</u>	<u>-</u>
Total	\$ <u>4,388</u>	\$ <u>(3,223)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Deferred Outflow/ (Inflows) of Resources
2024	\$ 524
2025	<u>641</u>
Total	\$ <u>1,165</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 7 - PENSION PLAN

A. Plan Description

The Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan) is administered by the California Public Employees' Retirement System (CalPERS). The plan consists of a miscellaneous risk pool and a risk safety pool, which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The District does not have any rate plans in the safety risk pool.

B. Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members and PEPRSA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRSA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2023 are summarized as follows:

<u>Employer rate plan</u>	<u>Miscellaneous Prior to January 01, 2013</u>	<u>PEPRSA Misc. on or after January 01, 2013</u>
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Required employee contribution rates	7%	7.25%
Required employer contribution rates	10.32%	7.47%

C. Contribution

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The District's contributions to Miscellaneous Risk Pool plan for the year ended June 30, 2023, was \$173,016.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - PENSION PLAN - CONT'D

D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the District reported net pension liability of \$1,408,435 for its proportionate share of net pension liability of the Miscellaneous Risk Pool.

The District's proportionate share of the net pension liability as of June 30, 2023 and June 30, 2022 for Miscellaneous Risk Pool was as follows:

Proportion - June 30, 2022	0.030420 %
Proportion - June 30, 2023	<u>0.030100 %</u>
Change - increase/(decrease)	<u>(0.000320)%</u>

For the year ended June 30, 2023, the District recognized pension expense of \$121,142. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 28,284	\$ (18,943)
Change in assumptions	144,324	-
Differences between projected and actual investment earnings	257,988	-
Change in employer's proportion	85,858	-
Differences between employer's contributions and proportionate share of contributions	-	(96,880)
Contributions subsequent to measurement date	<u>173,016</u>	<u>-</u>
Total	<u>\$ 689,470</u>	<u>\$ (115,823)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflow/ (Inflows) of Resources
2024	\$ 101,108
2025	90,140
2026	51,588
2027	<u>157,795</u>
Total	<u>\$ 400,631</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - PENSION PLAN - CONT'D

E. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies,

*The mortality table used was developed based on CalPERS-specific data. The rates incorporate generational mortality to capture ongoing mortality improvement using 80% of scale MP 2020 published by the society of actuaries.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long term projected portfolio return.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - PENSION PLAN - CONT'D

G. Long-term Expected Rate of Return - Cont'd

The expected real rates of return by asset class are as follows:

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10*,**
Global equity- cap weighted	30.00 %	4.45 %
Global equity- noncap weighted	12.00	3.84
Private equity	13.00	7.28
Treasury	5.00	0.27
Mortgage- backed securities	5.00	0.50
Investment grade corporates	10.00	1.56
High yield	5.00	2.27
Emerging market debt	5.00	2.48
Private debt	5.00	3.57
Real assets	15.00	3.21
Leverage	(5.00)	(0.59)

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

H. Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Miscellaneous Risk Pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate Less 1% (5.90%)	Current Discount (6.90%)	Discount Rate plus 1% (7.90%)
Net pension liability (asset)	\$ 2,207,859	\$ 1,408,435	\$ 750,707

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in CalPERS' ACFR for the fiscal year ended June 30, 2022, and the CalPERS' GASB 68 Accounting Valuation Report for the public agency cost-sharing multiple-employer defined benefit pension plan, which can be found on CalPERS' website at <https://www.calpers.ca.gov/docs/forms-publications/gasb-68>.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial coverage covering each of those risks of loss. There have been no significant reductions in insurance coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 9 - NEW MARKET TAX CREDIT TRANSACTION

The District is a sponsor of New Markets Tax Credits (NMTC) to support redevelopment in distressed communities. The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments in operating businesses and real estate projects located in low-income communities.

The District, in collaboration with Chase Bank (Bank), entered into various agreements to provide for the completion of the Humboldt Bay Eco-Industrial Park project, consisting of renovations and improvements to property in Samoa, Humboldt County, California.

As part of the NMTC Program transaction, a new independent entity, Humboldt Bay Development Association, Inc. (HBDA) a not-for-profit organization, was formed to participate under the Federal NMTC guidelines and to complete the project improvements. Also, pursuant to NMTC Program requirements, several financial intermediaries were established to finance the project. HBDA's construction costs are projected to be approximately \$5.20 million.

As required under the NMTC agreements with these entities, the District loaned the Chase NMTC Samoa Investment Fund, LLC \$5,849,375 and within the NMTC structure invested \$398,057 in cash to the transaction. Within the structure of the NMTC transaction, this \$398,057 cash investment was offset by a \$565,000 reimbursement from HBDA for project costs incurred by the District prior to the NMTC closing, and the funds to provide the loan to Chase NMTC Samoa Investment Fund, LLC were obtained through proceeds in the amount of \$3,906,000 for a long-term ground lease of the Samoa property to HBDA and from a \$1,560,000 loan obtained from Compass BBVA Bank.

The District's leveraged loan receivable from Chase NMTC Samoa Investment Fund, LLC bears interest of 2.7481% and is receivable in quarterly interest-only payments from June 10, 2016 through March 10, 2023; thereafter principal and interest payments are due until March 10, 2046. As of June 30, 2023, the balance of the loan receivable was \$5,849,375.

The District recorded the ground lease as unearned revenue in the liabilities section of its balance sheet, and will recognize operating income over the course of the lease. The District recognized \$45,069 of operating revenue during the year ended June 30, 2023, for a remaining balance of unearned income for an amount of as of \$3,481,609 as long-term deferred income as of June 30, 2023.

To fund HBDA's initial cost of the ground lease and the remaining project costs to be incurred by HBDA, within the NMTC structure New Markets Community Capital XVII, LLC and CNMC SUT-CDE 69, LLC loaned HBDA funds totaling \$8,680,000. In addition, the District and HBDA signed lease agreements under which the District is leasing-back the Samoa, California property from HBDA for the District's operations related to that asset.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 - NEW MARKET TAX CREDIT TRANSACTION - CONT'D

As of June 30, 2023, unearned income consisted of:

Unearned lease income (outfall pipe, tidelands, slip rentals and warehouse)	\$ 163,450
Total unearned income - current	<u>163,450</u>
Unearned HBDA ground lease income - long-term	<u>3,481,609</u>
Total unearned income	<u><u>\$ 3,645,059</u></u>

The ground lease is scheduled to be terminated and closed out during the fiscal year 2023-2024. The proceeds from this termination will be applied against note receivable and to enhance the value of capital assets held by the District.

NOTE 10 - RESTATEMENT

For the fiscal year ending June 30, 2023, the District determined that \$723,524 of PG&E's unearned income met grant conditions previously and should have been recognized as revenue in the prior year. As a result, the financial statements for the year ended June 30, 2022, were restated to reflect this adjustment.

A description, and the effect of the changes, is as follows:

Net position previously reported, June 30, 2022	\$ 10,104,746
Unearned income for PG&E	<u>723,524</u>
Net position, as restated, June 30, 2022	<u><u>\$ 10,828,270</u></u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

PG&E Agreement

During 2014, Pacific Gas and Electric (PG&E) paid the District \$2.0 million for the specific purpose of procuring dredging equipment, financing initial start-up and training of the District personnel, and reuse or disposal of dredged material. As part of the agreement, the District has committed to perform a one-time dredging of certain real property owned by PG&E and located near King Salmon known as Fisherman's Channel. The District assumes responsibility for the dredging activities and repair work of Fisherman's Channel, and upon completion of these contract terms, the District will obtain ownership of the Fisherman's Channel. As of June 30, 2023, there is no PG&E funding.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 27, 2024, the date at which the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN YEARS*

Measurement Period, June 30	2023	2022	2021	2020	2019	2018
Service cost	\$ 2,890	\$ 3,392	\$ 4,715	\$ 3,771	\$ 20,986	\$ 19,877
Interest on total OPEB liability	6,071	4,454	6,905	7,841	19,794	21,313
Employer contribution as benefit payments	(33,459)	(32,364)	(55,906)	(75,367)	(83,586)	(80,371)
Experience gains/losses	8,046	-	(80,755)	(5,321)	(118,069)	-
Changes in assumptions	<u>(989)</u>	<u>(9,400)</u>	<u>2,952</u>	<u>16,988</u>	<u>3,564</u>	<u>-</u>
Net change in net OPEB liability	(17,441)	(33,918)	(122,089)	(52,088)	(157,311)	(39,181)
Net OPEB liability - beginning of year	<u>186,792</u>	<u>220,710</u>	<u>342,799</u>	<u>394,887</u>	<u>552,198</u>	<u>591,379</u>
Net OPEB liability - end of year	<u>\$ 169,351</u>	<u>\$ 186,792</u>	<u>\$ 220,710</u>	<u>\$ 342,799</u>	<u>\$ 394,887</u>	<u>\$ 552,198</u>
Covered employee payroll	\$ 6,565	\$ 41,913	\$ 47,351	\$ 60,367	\$ 276,928	\$ 376,937
Net OPEB liability as a percentage of covered employee payroll	2,579.60 %	445.67 %	466.11 %	567.86 %	142.60 %	146.50 %

NOTES TO SCHEDULE

1. The District's retiree healthcare plan had no assets accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement no. 75, paragraph 4.
2. Changes in assumptions - Discount rate changed from 3.54% to 3.65%.
3. There are no statutorily or contractually established contribution requirements.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS*

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.030100 %	0.030425 %	0.027280 %	0.010080 %	0.009570 %	0.009500 %	0.009023 %	0.007965 %	0.008534 %
Plan's Proportionate Share of the Net Pension Liability /(Asset)	\$ 1,408,435	\$ 577,703	\$ 1,150,835	\$ 1,033,203	\$ 921,868	\$ 941,780	\$ 780,795	\$ 546,685	\$ 531,034
Plan's Covered-Employee Payroll	\$ 832,988	\$ 788,024	\$ 764,169	\$ 764,169	\$ 889,228	\$ 794,364	\$ 863,258	\$ 871,775	\$ 730,490
Plan's Proportionate Share of the Net Pension Liability/(Asset) as Percentage of Covered-Employee Payroll	169.08 %	73.31 %	150.60 %	135.21 %	103.67 %	118.56 %	90.45 %	62.71 %	72.70 %
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.98 %	89.43 %	77.39 %	79.58 %	78.81 %	77.50 %	80.01 %	83.38 %	83.19 %

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS*

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially Determined Contributions	\$ 173,016	\$ 150,868	\$ 136,505	\$ 55,338	\$ 54,414	\$ 53,870	\$ 83,233	\$ 75,091	\$ 68,939
Actual Contributions During the Measurement Period	<u>(173,016)</u>	<u>(150,868)</u>	<u>(136,505)</u>	<u>(55,338)</u>	<u>(54,414)</u>	<u>(53,870)</u>	<u>(83,233)</u>	<u>(75,091)</u>	<u>(68,939)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$ 832,988	\$ 788,024	\$ 764,169	\$ 764,169	\$ 889,228	\$ 794,364	\$ 863,258	\$ 871,775	\$ 730,490
Contributions as a Percentage of Covered Employee Payroll	20.77 %	19.15 %	17.86 %	7.24 %	6.12 %	6.78 %	9.64 %	8.61 %	9.44 %

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2023

	Marina		Variance
	Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES			
Sales & permits	\$ 5,800	\$ 6,010	\$ 210
Rents and concessions	228,700	221,874	(6,826)
Slip rentals	810,000	900,845	90,845
Utility charges	51,700	79,862	28,162
Other revenues	-	7,646	7,646
Total operating revenues	<u>1,096,200</u>	<u>1,216,237</u>	<u>120,037</u>
OPERATING EXPENSES			
Salaries and wages	397,415	498,484	(101,069)
Payroll benefits	234,534	178,026	56,508
Advertising & promotion	1,000	1,105	(105)
Bad debt	1,500	56,565	(55,065)
Communications	2,660	25	2,635
Conference & meetings	7,500	875	6,625
Insurance	40,400	35,779	4,621
Automotive expenses	1,100	-	1,100
Office expenses	850	376	474
Operating supplies	2,000	-	2,000
Outside service	2,500	2,734	(234)
Legal & other professional fees	-	6,089	(6,089)
Repairs and maintenance	72,950	97,289	(24,339)
Utilities	204,800	207,817	(3,017)
Capital Outlay	85,000	-	85,000
Other operating expense	-	1,607	(1,607)
Depreciation	-	204,294	(204,294)
Total Operating Expenses	<u>1,054,209</u>	<u>1,291,065</u>	<u>(236,856)</u>
Operating income (loss)	<u>\$ 41,991</u>	<u>\$ (74,828)</u>	<u>\$ (116,819)</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - MARINA
FOR THE YEAR ENDED JUNE 30, 2023

	Marina		Variance
	Budget	Actual	Favorable (Unfavorable)
NONOPERATING REVENUES:			
Investment income	\$ -	\$ 12,666	\$ 12,666
Total nonoperating revenues	-	12,666	12,666
NONOPERATING EXPENSES:			
Interest expenses	31,000	27,069	3,931
Total nonoperating expenses	31,000	27,069	3,931
Net nonoperating revenues and expenses	(31,000)	(14,403)	16,597
Change in net position	\$ 10,991	\$ (89,231)	\$ (100,222)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2023

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES			
Sales & permits	\$ -	\$ 9,491	\$ 9,491
Slip rentals	15,000	31,922	16,922
Rents and concessions	71,175	(96,594)	(167,769)
Rents - tideland leases	431,600	350,505	(81,095)
Rents - redwood terminal 2	856,200	1,035,165	178,965
Fields landing fees and rents	34,000	20,868	(13,132)
Harbor improvement surcharge	215,000	164,223	(50,777)
Utility charges	60,600	(5,535)	(66,135)
Pilotage services	-	2,489	2,489
Other revenues	9,640	30,624	20,984
Total operating revenues	1,693,215	1,543,158	(150,057)
OPERATING EXPENSES:			
Payroll and related cost	641,453	536,232	105,221
Commissioner's fees	25,200	30,900	(5,700)
Payroll benefits	325,663	320,013	5,650
Advertising and promotion	2,150	1,543	607
Bad debt	-	55,196	(55,196)
Communications	31,600	30,911	689
Conference & meetings	17,350	23,296	(5,946)
Dues & subscriptions	50,700	61,492	(10,792)
Elections & property tax administration fees	59,000	79,154	(20,154)
Insurance	60,215	87,929	(27,714)
Automotive expenses	19,035	32,908	(13,873)
Office expenses	25,665	53,484	(27,819)
Operating supplies	7,500	19,842	(12,342)
Outside services	66,900	180,717	(113,817)
Accounting fees	40,000	51,930	(11,930)
Repairs and maintenance	200,115	150,877	49,238
Utilities	254,250	231,469	22,781
Rent and leases	4,300	1,256	3,044
Redwood terminal 2 expenses	339,246	224,444	114,802
Dredging expense	-	675	(675)
Legal and other professional expenses	136,600	257,345	(120,745)
Depreciation	-	271,326	(271,326)
Capital outlay	115,000	-	115,000
Other operating expenses	12,300	95	12,205
Total operating expenses	2,434,242	2,703,034	(268,792)
Operating income (loss)	\$ (741,027)	\$ (1,159,876)	\$ (418,849)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL - GENERAL
FOR THE YEAR ENDED JUNE 30, 2023

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
NONOPERATING REVENUES			
Investment income	\$ 172,800	\$ 433,979	\$ 261,179
General property taxes	1,200,000	1,381,655	181,655
Federal revenues	-	-	-
Other government grants	2,904,797	1,253,663	(1,651,134)
Other nonoperating incomes	-	42,083	42,083
Total nonoperating revenues	<u>4,277,597</u>	<u>3,111,380</u>	<u>(1,166,217)</u>
NONOPERATING EXPENSES			
Interest expenses	113,400	111,296	2,104
Grant expenses	2,754,982	1,300,960	1,454,022
Capital Expenditure	-	-	-
Other nonoperating expenses	-	12,797	(12,797)
Total nonoperating expenses	<u>2,868,382</u>	<u>1,425,053</u>	<u>1,443,329</u>
Net nonoperating revenues and expenses	<u>1,409,215</u>	<u>1,686,327</u>	<u>277,112</u>
Change in net position	<u>\$ 668,188</u>	<u>\$ 526,451</u>	<u>\$ (141,737)</u>

SUPPLEMENTARY INFORMATION

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Unrestricted</u>	<u>Tidelands Trust</u>	<u>Total</u>
OPERATING REVENUES			
Sales & permits	\$ 7,601	\$ 7,900	\$ 15,501
Slip rentals & dredging/float replacement	13,164	919,603	932,767
Utility charges	32,351	74,327	106,678
Rents and concessions	1,129,915	51,398	1,181,313
Rents - tideland leases	-	350,505	350,505
Late fees and interest on past due accounts	(2,389)	8,290	5,901
Harbor improvement surcharge	-	164,223	164,223
Pilotage services	-	2,489	2,489
Other revenue	18	-	18
	<u>1,180,660</u>	<u>1,578,735</u>	<u>2,759,395</u>
Total operating revenues			
OPERATING EXPENSES			
Salaries and wages	583,417	451,299	1,034,716
Commissioner's fees	21,630	9,270	30,900
Payroll benefits	325,401	172,638	498,039
Advertising & promotion	996	1,652	2,648
Bad debt	-	111,761	111,761
Communications	25,152	5,784	30,936
Conference & meetings	15,311	8,860	24,171
Dues & subscriptions	41,988	19,504	61,492
County elections fees and property taxes	64,756	14,398	79,154
Insurance	107,155	16,553	123,708
Automotive expenses	23,298	9,610	32,908
Office expenses	45,307	8,553	53,860
Operating supplies	15,399	4,443	19,842
Outside services	128,158	55,293	183,451
Legal & professional fees	199,180	64,254	263,434
Accounting fees	37,041	14,889	51,930
Rents and leases	1,256	-	1,256
Repairs and maintenance	157,204	90,962	248,166
Utilities	317,894	121,392	439,286
Dredging expense	-	675	675
Redwood terminal 2 expenses	224,444	-	224,444
Other Expenses	1,702	-	1,702
Depreciation	139,489	336,131	475,620
	<u>2,476,178</u>	<u>1,517,921</u>	<u>3,994,099</u>
Total operating expenses			
Operating income (loss)	\$ (1,295,518)	\$ 60,814	\$ (1,234,704)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
UNRESTRICTED AND TIDELANDS TRUST
FOR THE YEAR ENDED JUNE 30, 2023

	Unrestricted	Tidelands Trust	Total
NONOPERATING REVENUES			
Investment income	\$ 322,875	\$ 123,770	\$ 446,645
General property taxes	1,381,655	-	1,381,655
Other government grants	81,427	1,172,236	1,253,663
Other nonoperating incomes	35,000	7,083	42,083
	<u>1,820,957</u>	<u>1,303,089</u>	<u>3,124,046</u>
NONOPERATING EXPENSES			
Interest expenses	61,274	77,091	138,365
Grant expenses	165,758	1,135,202	1,300,960
Other nonoperating expenses	7,522	5,275	12,797
Total nonoperating expenses	<u>234,554</u>	<u>1,217,568</u>	<u>1,452,122</u>
Net nonoperating revenues and expenses	<u>1,586,403</u>	<u>85,521</u>	<u>1,671,924</u>
Change in net position	<u>290,885</u>	<u>146,335</u>	<u>437,220</u>
Net position, beginning	11,788,373	(1,683,627)	10,104,746
<i>Restatement</i>	<u>-</u>	<u>723,524</u>	<u>723,524</u>
Net position, beginning, <i>as restated</i>	<u>11,788,373</u>	<u>(960,103)</u>	<u>10,828,270</u>
Net position, ending	<u>\$ 12,079,258</u>	<u>\$ (813,768)</u>	<u>\$ 11,265,490</u>

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Marina</u>	<u>General</u>	<u>Total</u>
OPERATING REVENUES			
Sales & permits	\$ 6,010	\$ 9,491	\$ 15,501
Rents and concessions	221,874	(96,594)	125,280
Slip rentals	900,845	31,922	932,767
Rents - tideland leases	-	350,505	350,505
Pilotage services	-	2,489	2,489
Rents - redwood terminal 2	-	1,035,165	1,035,165
Fields landing fees and rents	-	20,868	20,868
Harbor improvement surcharge	-	164,223	164,223
Utility charges	79,862	(5,535)	74,327
Other revenue	7,646	30,624	38,270
	<u>1,216,237</u>	<u>1,543,158</u>	<u>2,759,395</u>
Total operating revenues			
OPERATING EXPENSES			
Salary and wages	498,484	536,232	1,034,716
Commissioner's fees	-	30,900	30,900
Payroll benefits	178,026	320,013	498,039
Advertising & promotion	1,105	1,543	2,648
Bad debts	56,565	55,196	111,761
Communications	25	30,911	30,936
Conference & meetings	875	23,296	24,171
Dues & subscriptions	-	61,492	61,492
Elections & property tax administration fees	-	79,154	79,154
Insurance	35,779	87,929	123,708
Automotive Expenses	-	32,908	32,908
Office expenses	376	53,484	53,860
Operating supplies	-	19,842	19,842
Outside services	2,734	180,717	183,451
Accounting fees	-	51,930	51,930
Rent and leases	-	1,256	1,256
Legal & other professional fees	6,089	257,345	263,434
Repairs and maintenance	97,289	150,877	248,166
Utilities	207,817	231,469	439,286
Redwood terminal 2 expenses	-	224,444	224,444
Dredging expense	-	675	675
Other operating expenses	1,607	95	1,702
Depreciation	204,294	271,326	475,620
	<u>1,291,065</u>	<u>2,703,034</u>	<u>3,994,099</u>
Total operating expenses			
Operating income (loss)	\$ (74,828)	\$ (1,159,876)	\$ (1,234,704)

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES -
MARINA AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Marina</u>	<u>General</u>	<u>Total</u>
NONOPERATING REVENUES			
Investment income	\$ 12,666	\$ 433,979	\$ 446,645
General property taxes	-	1,381,655	1,381,655
Other government grants	-	1,253,663	1,253,663
Other nonoperating incomes	<u>-</u>	<u>42,083</u>	<u>42,083</u>
Total nonoperating revenues	<u>12,666</u>	<u>3,111,380</u>	<u>3,124,046</u>
NONOPERATING EXPENSES			
Interest expenses	27,069	111,296	138,365
Grant expenses	-	1,300,960	1,300,960
Other nonoperating expenses	<u>-</u>	<u>12,797</u>	<u>12,797</u>
Total nonoperating expenses	<u>27,069</u>	<u>1,425,053</u>	<u>1,452,122</u>
Net nonoperating revenues and expenses	<u>(14,403)</u>	<u>1,686,327</u>	<u>1,671,924</u>
Change in net position	<u><u>\$ (89,231)</u></u>	<u><u>\$ 526,451</u></u>	<u><u>\$ 437,220</u></u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District
Eureka, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Humboldt Bay Harbor, Recreation and Conservation District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

San Diego, California
February 27, 2024

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II - FINANCIAL STATEMENTS FINDINGS

There are no findings in the current year to report.

**HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

There were no findings reported in the prior year.